

# FUNCTION 650: SOCIAL SECURITY

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## FUNCTION SUMMARY

Function 650 -- the largest in terms of outlays in the federal budget -- includes Social Security benefits and administrative expenses. Social Security is the largest entitlement program provided by the federal government. Benefits are paid to retirees, disabled workers, survivors, spouses, and dependents from the Old Age, Survivors, and Disability Insurance (OASDI) trust funds. Social Security is financed primarily through payroll taxes. For purposes of the Budget Enforcement Act, the Social Security trust funds are off-budget and do not count toward deficit projections. However, the administrative expenses of the Social Security Administration (SSA) are on-budget and remain within the caps on discretionary spending.

Administrative expenses for SSA are paid from the Limitation on Administrative Expenses (LAE) account, which is partially funded from Function 650. Nearly one-half of LAE spending is reflected in other functions (Medicare, Function 570, and Income Security, Function 600). Overall, LAE budget authority is \$6.4 billion in 1998 with outlays of \$6.5 billion.

Up to \$520 million in LAE funding in 1999 could be exempt from the discretionary caps. Congress authorized this exemption in the Contract with America Advancement Act and the Personal Responsibility Act to accommodate higher spending on Continuing Disability Reviews (CDRs). CBO estimated that the additional CDRs funded by these exempt appropriations would reduce benefit expenditures by \$3.5 billion over the period 1996 to 2002, which is already reflected in the freeze baseline estimates.

Under the freeze baseline estimates, Social Security outlays increase at an average annual rate of 4.6 percent over the period 1998 to 2003. CBO projects the Social Security trust funds will run a surplus of \$100.6 billion in 1998, growing to \$147.6 billion in 2003.

The freeze baseline assumes an increase in the number of Social Security beneficiaries from an average of 44.0 million in 1998 to 46.9 million in 2003, for an average annual growth rate of 1.3 percent. The baseline assumes a cost-of-living increase of 2.4 percent in January 1999.

The BBA made no changes in the Social Security program. Function 650 discretionary was not a protected function under the BBA.

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## SPENDING SUMMARY

(\$ billions)

		1998	1999	2000	2001	2002	2003
Chairman's Mark	BA	379.0	394.4	411.7	430.6	451.6	474.1
	OT	379.1	394.6	411.7	430.6	451.6	474.1
BBA	BA	379.0	394.7	411.9	430.9	451.8	474.4
	OT	379.1	394.8	412.0	430.9	451.8	474.4
Freeze Baseline	BA	379.0	394.4	411.7	430.7	451.6	474.1
	OT	379.1	394.6	411.7	430.7	451.6	474.1
Chairman's Mark compared to:							
BBA	BA	--	-0.3	-0.3	-0.3	-0.2	-0.3
	OT	--	-0.2	-0.3	-0.3	-0.2	-0.3
Freeze Baseline	BA	--	-(*)	-(*)	-(*)	-(*)	-(*)
	OT	--	-(*)	-(*)	-(*)	-(*)	-(*)

## DESCRIPTION OF CHAIRMAN'S MARK

The Chairman's Mark assumes no changes to Social Security benefits.

The Chairman's Mark assumes discretionary spending in Function 650 of \$2.6 billion in BA and \$2.7 billion in outlays. This level of spending does not include up to \$0.5 billion in BA and outlays that may be appropriated for Social Security Administration Continuing Disability Reviews (CDRs) in 1999 outside of the caps on discretionary spending.

The Chairman's Mark assumes the President's proposal to institute a new fee on representatives of Social Security and Supplemental Security Income claimants to cover the cost of processing attorney fee arrangements. The new fees will total \$4 million in 1999 and \$72 million over the period 1999 to 2003.

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